

II. FEDERAL FISCAL YEAR (FFY) 2007 CDBG HOUSING AND NEIGHBORHOOD RENEWAL AND PUBLIC FACILITIES PROGRAM

A. NATIONAL AND STATE OBJECTIVES OF THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

1. National Objectives

Under the Federal Housing and Community Development Act, the primary objective of the CDBG Program “is the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.”

Under the Act, CDBG funds are intended for the support of community development activities that are directed toward specific national objectives. **The national objectives for the CDBG program are included in Appendix B. Each CDBG applicant will be asked to cite a national objective for the CDBG program that is most appropriate and pertinent to the proposed project.**

2. State Objectives

HUD regulations (24 CFR Part 91) require the State to identify its community development objectives which must be developed in accordance with the primary objective of the CDBG Program and the other national objectives referred to above. **The State’s objectives for Montana’s CDBG Program are included in Appendix C. Each CDBG applicant will be asked to cite a state objective for the CDBG program that is most appropriate and pertinent to the proposed project.**

B. PROJECT CATEGORIES

There are four major funding categories under Montana's CDBG Program:

1. Economic Development
2. Housing and Neighborhood Renewal
3. Planning Projects
4. Public Facilities

A CDBG Housing or Public Facilities project may consist of one or more activities designed to substantially resolve a community development need. The principal activities must clearly be designed to address needs appropriate to the category applied for and must represent at least two-thirds (66 percent) of the non-administrative project funds requested; other proposed activities must be clearly complementary to and in support of the principal activities and enhance the overall impact of the project in resolving the identified problem. For example, public facilities activities, such as sidewalk and street improvements, can be included in a housing and neighborhood renewal project which primarily addresses housing rehabilitation and demolition needs because the sidewalk and street improvement activities support the overall neighborhood renewal strategy.

Economic Development Projects

Typically in Economic Development projects, MDOC grants CDBG funds to a city or county, which then lends the funds to private businesses. In return, the businesses commit to creating a specific number of jobs, a majority of which will be made available to low and moderate income persons.

The requirements for CDBG Economic Development projects are discussed in separate sets of application guidelines available from the MDOC Business Resources Division, 301 South Park Ave., P.O. Box 200501, Helena, MT 59620-0501, (406) 841-2734. These can be downloaded from the following website: <http://businessresources.mt.gov/>

Housing and Neighborhood Renewal Projects

The CDBG Housing and Neighborhood Renewal category is intended to assist communities in a wide range of activities with the goal of providing decent, safe and sanitary housing for their residents at an affordable price and to combat blighting influences in the community. A variety of activities can be combined in one single project as part of implementation of a comprehensive housing strategy linked to the particular needs and circumstances of an individual community.

CDBG housing and neighborhood renewal projects can:

- rehabilitate substandard housing,
- support construction of new permanent, long-term housing,
- weatherize and improve the energy efficiency of homes or apartments,
- finance or subsidize the construction of new permanent, residential units where a local nonprofit organization sponsors the project,
- provide for the replacement of older, energy-inefficient mobile homes with newer energy-efficient mobile or modular homes, other types of manufactured housing, or conventionally-built housing units,
- include site improvements or provision of public facilities to publicly-owned land or land owned by a nonprofit organization to be used or sold for new housing,
- demolish vacant, deteriorated housing units with the intent of making the sites available for new construction,
- acquire sites for use or resale for new housing,
- convert existing nonresidential structures for residential use,
- clean up junk and debris, and
- improve or construct public facilities related to a housing project, such as sidewalks, streets, or neighborhood parks.

Planning Projects

The CDBG program is able to play a unique role in assisting Montana communities because of its ability to offer planning grants to local governments. The grants can be used for a variety of activities including long-term community planning activities such as preparing or updating a growth policy, preparing a neighborhood renewal plan, a housing study, a capital improvement plan, or similar planning processes designed to help a community address critical needs or the initial planning necessary to get a project underway.

The requirements for CDBG Public Facilities and Planning applications are discussed in separate sets of application guidelines available from the MDOC Community Development Division, 301 South Park Ave., P.O. Box 200523, Helena, MT 59620-0523, (406) 841-2791, or can be downloaded from CDBG's website at:

http://comdev.mt.gov/CDD_cdbg.asp

Public Facilities Projects

In Public Facilities projects, CDBG funds are most often used in combination with other federal, state, or local funds to make basic community infrastructure improvements, such as drinking water and wastewater facilities, affordable to low and moderate income families. Public facility projects can also include facilities designed for use predominantly by persons of low and moderate income such as county hospitals or nursing homes, senior centers, Head Start centers, or mental health centers.

C. ELIGIBLE ACTIVITIES

The activities that are eligible for funding under Montana's CDBG Program are limited to those set out by Congress in Title I of the Housing and Community Development Act of 1974. Usually, the question of the eligibility of an activity is clear-cut and can be resolved by contacting the MDOC CDBG staff. Some activities may involve special conditions imposed by federal law or HUD regulations.

In selecting activities for a CDBG application, communities should be aware that although an activity may be legally eligible under the federal statute and HUD regulations, it may not be competitive under the guidelines and ranking system established for the Montana CDBG Program. Communities should compare any activity under consideration for a CDBG application with the ranking criteria for that category before a decision is made to prepare an application and discuss any questions they have about the project they are considering with MDOC CDBG staff.

D. APPLICATION CYCLE FOR FFY 2007 PUBLIC FACILITIES AND HOUSING AND NEIGHBORHOOD RENEWAL PROJECTS

1. Application Deadlines

The following schedule illustrates how the program will operate with public facilities and housing competitions taking place in the spring and fall in the calendar year before Montana's CDBG allocation is announced by HUD. Planning grants will continue to be awarded in the same year in which the CDBG funds are received.

- *Planning Grant* applications (to the *CDBG Housing and Public Facilities Program*) for FFY 2007 funds are due on April 20, 2007**. (Note: The *CDBG Economic Development (CDBG-ED) Planning Grants* from the MDOC Business Resource Division are on an open, continuous application cycle.)
- *Public Facilities* applications for FFY 2008 funds are due on May 25, 2007**.

- ***Housing and Neighborhood Renewal* applications for FFY 2007 funds are due on December 8, 2006**.**

****Applications must be delivered or postmarked on or before the deadline date.**

Successful applicants under the Public Facilities competition announced in October, 2006 will be able to draw upon funds seven months later in April when CDBG funds are typically received from HUD. Similarly, successful Housing and Neighborhood Renewal applicants announced in February, 2007 will be able to draw upon funds two months later when the CDBG funds are normally received from HUD in April.

E. GRANT CEILINGS

Applicants should apply only for the minimum funding necessary to carry out the project. Grant requests must be sufficient either by themselves or in combination with other proposed funding sources to complete the proposed activities within 24 months from the date of the announcement of grant award by MDOC. While the grant ceiling establishes the maximum amount which applicants may request, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant.

Grant ceilings are as follows:

<u>Type of Grant</u>	<u>Maximum Grant Ceilings</u>
Housing and Neighborhood Renewal	\$ 450,000
Planning	\$ 15,000
Public Facilities	\$ 450,000

As a result of the 10% cut in CDBG funds for FFY 2006, the program will reduce the maximum ceiling on Housing and Public Facilities projects from \$500,000 to \$450,000. The Treasure State Endowment Program (TSEP) has recently increased its maximum grant ceiling from \$500,000 to \$750,000, which will enable the TSEP program to support more of the costs of water and wastewater projects in Montana. Reducing the maximum grant ceiling for CDBG Housing and Public Facilities projects would allow the program to continue to fund roughly the same number of projects annually. The current grant ceiling for CDBG Economic Development projects is set at \$400,000.

F. DISTRIBUTION OF CDBG FUNDS FOR THE FEDERAL FISCAL YEAR (FFY) 2007 PROGRAM

Economic Development Category

One-third of the total amount available for new grants has been set aside to allow economic development funds to be available to applicants on a continuous basis. For the Public Facilities and Housing categories, in general, long-term needs can be identified and projects planned far in advance. In contrast, it is generally not possible to identify or plan for economic development opportunities ahead of time; however, when such an opportunity develops it requires a timely response by the community and the State to facilitate and support the development proposal. The continuous application cycle for economic development applications administered by MDOC's Business Resources Division is designed to meet the need for more prompt response to private sector economic development initiatives.

Housing and Neighborhood Renewal and Public Facilities

For the Housing and Neighborhood Renewal and Public Facilities categories, local officials have preferred to maintain the present annual grant competition where applications are ranked

against each other on the basis of specific criteria. They have long felt that a competitive process helps assure that the limited CDBG funds go to the communities with the most serious needs. For housing and neighborhood renewal or public facility projects, they have strongly supported continuing the current application process that includes an evaluation of the relative need, the thoroughness of local planning efforts, degree of citizen participation, soundness of project design, the applicant's financial need, and the degree of benefit to low and moderate income persons.

In addition, many small town and rural county officials believe that an annual competition gives them more time to prepare an application to compete with larger communities with professional staff. An annual competitive ranking process is also used to allocate funds for the planning grant category, given the high demand for these limited funds.

G. ALLOCATION OF CDBG FUNDS

In federal fiscal year (FFY) 2005, the Montana CDBG program received \$7,626,300. Montana's total allocation of CDBG funds for FFY 2006 was \$6,886,683, a ten percent reduction.

State Program Administration

Extensive federal regulations accompany the program. MDOC will use a portion of the State CDBG allocation for administration of the program, as established by a federal statutory formula. The funds will be used to supplement State resources to meet regulatory requirements and to support related technical assistance to applicants and grant recipients and project monitoring activities throughout the term of local projects.

Funding For Housing and Public Facility Projects

CDBG funds for FFY 2007 will be allocated in the following manner:

Distribution of 2007 CDBG Funds

The following table summarizes the estimated distribution of CDBG funds for the 2007 program, based on the funding level received for FFY 2006.

<i>Estimated FFY 2007 State CDBG Allocation:</i>	<i>\$6,886,683</i>
<i>Less 3% for State program administration and technical assistance (as provided by federal law)</i>	<i><u>\$306,601</u></i>
<i><u>Amount Available for Award to Local Governments</u></i>	<i>\$6,580,082</i>
<i>Less 1/3 Allocation for Economic Development Projects</i>	<i><u>\$2,193,361</u> *</i>
<i>Total Available for Housing and Neighborhood Renewal and Public Facility Projects</i>	<i>\$4,386,721</i>
<i>Less Planning Grants - Housing and Public Facilities</i>	<i><u>\$ 225,000</u></i>
<i>Sub-Total</i>	<i>\$4,161,721</i>
<i>Allocation for Housing and Neighborhood Renewal Projects (34%)</i>	<i>\$1,414,985</i>
<i>Allocation for Public Facilities Projects (66%)</i>	<i>\$2,746,736</i>

*** One-third of the total amount available for new grants would continue to be set aside to allow economic development funds to be available to applicants on a continuous basis.**

The Department bases the funding allocation between Housing and Public Facilities upon the demand between the two categories for the previous two years. Using a two-year average adjusts for any variability in the demand for CDBG public facilities funding that may be associated with the biennial cycle of the State's legislatively approved infrastructure funding programs: the Department of Natural Resources and Conservation (DNRC) Renewable Resources Grant and Loan Program, and MDOC's Treasure State Endowment Program (TSEP).

In this way, the funding reserved for each category can respond to changing demand for CDBG Housing and Public Facilities grants over time. Through this method, the amounts allocated between the two categories will change based upon actual past demand; however, the basic method of distribution remains unchanged. The chart below lists the number of Housing and Public Facilities applications and the total dollars requested for the last two years.

CDBG APPLICATIONS RECEIVED 2005-2006				
	HOUSING		PUBLIC FACILITIES	
FFY YEAR	# OF APPS	TOTAL \$ REQUESTED	# OF APPS	TOTAL \$ REQUESTED
2005	9	3,803,500	14	6,494,700
2006	4	1,980,000	11	4,749,837
Total:	13	5,783,500	25	11,244,537
% of Total Applications	34%		66%	

As a result of the method of distribution described above, the allocations for the Housing and Neighborhood Renewal and Public Facilities categories for FFY 2007 funds will be established at 34% and 66%, respectively, of the total estimated available funding for these two categories or an estimated \$4,161,721. Previously for FFY 2006, the percentage for Housing was 38% and the percentage for Public Facilities was 62%. This decrease for Housing grants reflects the decreased number of housing applications and increased number of public facilities applications during the last two years.

Planning and Technical Assistance Grants

For FFY 2007, the CDBG program will set aside \$225,000 for planning grants to local governments from the Housing and Public Facilities categories. The planning grant funds can be used to assist local governments in a wide variety of planning-related activities, including preparation of community growth policies, needs assessments, capital improvements plans, housing studies, and preliminary architectural or engineering plans related to construction of water and wastewater systems, and other public facilities.

H. REALLOCATION OF FUNDS

1. If an applicant that has been tentatively selected for a CDBG grant award is unable to secure a firm commitment of funds and comply with other requirements for project start-up and cannot demonstrate the existence of extraordinary or clearly extenuating circumstances that would justify an extension of time, the tentative CDBG award will be withdrawn. The funds would be reallocated to the next highest ranked applicant that is

ready to proceed with its CDBG project. In any case where CDBG funds must be re-allocated, the applicant would be encouraged to re-apply for the next grant competition. (See Chapter VIII, Section E., Commitment of Non-CDBG Resources.)

2. If excess funds above the last ranked grant request are available, they may be reallocated at the discretion of the MDOC Director, consistent with these guidelines, to best achieve the stated objectives of the Montana CDBG Program.
3. Unallocated funds from the current fiscal year or unexpended or uncommitted funds from previous grant awards, including CDBG-derived program income which has been returned to the State, may be reallocated at the discretion of the MDOC Director, consistent with the current adopted Application Guidelines, to best achieve the stated objectives of the Montana CDBG Program.
4. The Federal Housing and Community Development Act requires the State to distribute CDBG funds to local governments "in a timely manner." HUD encourages the State to have all of its annual allocation, excluding the State's administration funds, obligated to units of general local governments within 15 months of the State signing its grant agreement with HUD. Therefore, if after 12 months from the date of signing the grant agreement, MDOC does not have at least 95% of its fiscal year allocation obligated and announced to local governments, the Department Director may, at his or her discretion, award uncommitted funds from any funding category to fund remaining, eligible, unfunded applications to achieve this goal.